

Message Text

PAGE 01 STATE 066140

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APPROVED BY EB/ AN: MHSTYLES

CAB - MR. MURPHY (DRAFT)

NEA - MR. ATHERTON (DRAFT)

NEA/ IAI - MR. DEAN

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E. O. 11652: N/ A

TAGS: ETRN, IS

SUBJECT: CIVAIR NEGOTIATIONS

REF: STATE 59542

SUMMARY: CIVAIR NEGOTIATIONS HELD MARCH 26-29.

CONSIDERABLE TIME WAS SPENT ON DETAILED STATISTICAL MATERIAL TWO SIDES HAD EXCHANGED. WHILE NO AGREEMENT REACHED ON METHODOLOGY OF COMPUTING AIRLINE 0 ENEFITS, UNDER BOTH SIDES' APPROACH IT CLEAR THAT SIGNIFICANT IMBALANCE OF BENEFITS STILL EXISTS IN EL AL FAVOR. US COULD THUS NOT AGREE THAT THERE ANY ECONOMIC JUSTIFICATION FOR GRANTING ADDITIONAL LANDING RIGHTS FOR EL AL. ISRAEL MAY SEEK NEW TALKS LATER THIS YEAR. END SUMMARY.

1. EXCHANGE OF TRAFFIC DATA FOR 1971 AGREED UPON IN NOVEMBER NEGOTIATIONS TOOK PLACE IN WASHINGTON FEBRUARY 26. THESE DATA SERVED AS THE NEW STATISTICAL BASIS FOR ROUND OF TALKS JUST CONCLUDED. WHILE THERE WAS NO DISPUTE OVER ACCURACY OF THE DATA EXCHANGED, THERE WAS AT SAME TIME NO LIMITED OFFICIAL USE

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PAGE 02 STATE 066140

AGREEMENT ON CONCLUSIONS TO BE DRAWN FROM ANALYSIS OF THE DATA.

2. ISRAEL OPENED TALKS BY REITERATING ARGUMENTS IT MADE IN NOVEMBER TO SUPPORT GRANT TO EL AL OF ADDITIONAL TRAFFIC RIGHTS IN THE US (STATE 207196). IN RESUME, ARGUMENTS WERE AS FOLLOWS: (A) GAP BETWEEN BENEFITS WHICH TWA AND EL AL ARE DERIVING FROM BILATERAL HAS BEEN CLOSING OVER THE YEARS TO POINT WHERE BENEFITS ARE ALMOST EQUAL; (B) ISRAEL IS BEING DISCRIMINATED AGAINST SINCE MOST OTHER COUNTRIES HAVE TRAFFIC RIGHTS AT MORE THAN ONE US POINT FOR THEIR AIRLINE; (C) THIRD COUNTRY AIRLINES ARE OBTAINING A LARGE AND GROWING SHARE OF THE AIR TRAVEL MARKET BETWEEN THE US AND ISRAEL; (D) GRANT TO EL AL OF ADDITIONAL LANDING RIGHTS IN THE US WOULD WORK TO ADVANTAGE RATHER THAN DETRIMENT OF TWA.

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3. ISRAELDEL ATTEMPTED TO ARGUE THAT AVAILABLE STATISTICAL MATERIAL CLEARLY PROVED BOTH THE NEAR BALANCE IN BENEFITS BETWEEN EL AL AND TWA AND MAGNITUDE OF THE " THIRD COUNTRY AIRLINE" PROBLEM. THERE WAS CONSIDERABLE DISCUSSION OVER WAYS TO USE THE DATA AND, SPECIFICALLY, HOW BENEFITS DERIVED BY AN AIRLINE UNDER A BILATERAL AGREEMENT SHOULD BE CALCULATED. UNDER METHODOLOGY USED BY USDEL, BENEFITS UNDER THE AGREEMENT IN 1971 CAME OUT TO 2.4 TO 1 IN FAVOR OF EL AL, WHEREAS ISRAELI PRESENTATION SHOWED AN IMBALANCE OF 1.7 TO 1 IN EL AL'S FAVOR. NEITHER SIDE ACCEPTED THE METHODOLOGY USED BY THE OTHER. HOWEVER, USDEL NOTED THAT, WHICHEVER RATIO USED, THERE REMAINS A MARKED IMBALANCE BETWEEN THE REVENUE BENEFITS UNDER THE AGREEMENT. (WHILE 2.4 TO 1 MAY NOT APPEAR DRAMATIC STANDING ALONE, IN REAL TERMS IT MEANS THAT EL AL IS DERIVING \$30 MILLION MORE IN BENEFITS UNDER THE AGREEMENT THAN TWA.) BECAUSE OF THIS, US HAD TO CONCLUDE THAT THERE WAS NO ECONOMIC JUSTIFICATION FOR GRANTING ADDITIONAL RIGHTS TO EL AL AT THIS TIME.

4. CONCERNING OTHER ISRAELI ARGUMENTS, USDEL DID NOT ACCEPT CONTENTION THAT THE UNITED STATES IS DISCRIMINATING AGAINST ISRAEL IN AVIATION FIELD. WE EXPLAINED THAT PRINCIPAL LIMITED OFFICIAL USE

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PAGE 03 STATE 066140

PRINCIPLE OF MFN IS CLEARLY INAPPROPRIATE (NOT JUST FOR THE US) WHEN IT COMES TO THE EXCHANGE OF AVIATION RIGHTS, AND THAT IN EVERY CASE WHERE OTHER COUNTRIES HAVE OBTAINED RIGHTS AT POINTS OTHER THAN NEW YORK THERE WERE GOOD AVIATION ECONOMIC REASONS FOR THE CONCESSIONS. WE ADMITTED THAT, IN RETROSPECT, THERE MAY BE CASES WHERE ONE OR MORE EXCHANGES OF ROUTE RIGHTS MIGHT NOT HAVE WORKED OUT IN PRACTICE AS BALANCED AS ANTICIPATED, BUT THAT WAS ANOTHER PROBLEM ALTOGETHER. MAIN POINT WAS THAT THERE

WAS NO DISCRIMINATION IN INTENT OR FACT AGAINST ISRAEL.

5. RE DIVERSION BY THIRD COUNTRY AIRLINES, USDEL CONTINUED DISPUTE VALIDITY OF ISRAEL STATISTICS WHICH ATTEMPTED DEMONSTRATE THAT THIRD COUNTRY AIRLINES WERE CARRYING AS

MUCH AS 40 PERCENT OF US- ISRAEL MARKET. WE ALSO NOTED THAT ISRAEL WAS TO SOME EXTENT RESPONSIBLE FOR EXISTENCE OF THE PROBLEM SINCE THE COMPLEX, SPECIAL RATE STRUCTURE WHICH EL AL PRESSED THROUGH IATA SOME YEARS AGO HAD HELPED CREATE THE SITUATION IN WHICH OTHER AIRLINES COULD EXPLOIT THE MARKET. NEVERTHELESS, USDEL SAID THAT USG SHARED ISRAELI CONCERN OVER THE THIRD COUNTRY AIRLINE PROBLEM AND THAT USG HAD ALREADY INITIATED STEPS TO TACKLE THIS PROBLEM DIRECTLY IN ORDER BRING CAPACITY OF THESE AIRLINES INTO CONFORMITY WITH THE PROVISIONS OF OUR BILATERAL AGREEMENTS WITH THOSE COUNTRIES. WE FELT THIS- RATHER THAN THE GRANT OF ADDITIONAL RIGHTS IN THE US- WAS THE APPROPRIATE SOLUTION TO THIS PROBLEM AND INVITED ISRAELIS ALSO TO TACKLE IT DIRECTLY FOR THE MUTUAL BENEFIT OF EL AL AND TWA.

6. CONCERNING ISRAEL' S CONTENTION THAT GRANT OF ADDITIONAL RIGHTS TO EL AL WOULD HELP RATHER THAN HURT TWA, WE NOTED THERE COULD BE NO ASSURANCE THIS WOULD HAPPEN. IN ANY EVENT, ACCESS TO NEW US POINTS BY EL AL (AS BY ANY FOREIGN AIRLINE) CLEARLY WOULD HAVE NEGATIVE IMPACT ON OTHER US AIRLINES (WHO ARE THUS DEPRIVED OF TRAFFIC THEY NORMALLY CARRY FROM INLAND POINTS TO NEW YORK GATEWAY). THUS, USDEL FELT THERE WAS NO WAY US COULD GAIN FROM FURTHER GRANTS.

7. ISRAELDEL HINTED THAT IT WAS PREPARED TO BE " FLEXIBLE" LIMITED OFFICIAL USE

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PAGE 04 STATE 066140

IN VARIETY OF WAYS TO MAKE SOME OVERALL DEAL POSSIBLE. FOR EXAMPLE, IT MIGHT BE WILLING TO COME TO SOME UNDERSTANDING ON BUCHAREST, MAKE SOME CONCESSION ON TWA' S ROUND- THE- WORLD RIGHTS (WHICH IT CONTINUED TO ALLEGE WERE BEING CONDUCTED ILLEGALLY), MIGHT BE WILLING TO OFFER THE US ADDITIONAL RIGHTS IN ISRAEL (JERUSALEM AND ELAT WERE MENTIONED). WE REPLIED THAT NONE OF THIS REALLY AFFECTED THE SITUATION. OUR RESPONSE TO THE QUESTION OF US ROUND- THE- WORLD RIGHTS WAS THESE RIGHTS WERE ALREADY IN THE AGREEMENT AND ANY ATTEMPT BY ISRAEL TO INTERFERE WITH THIS SERVICE WOULD BE CONSIDERED A BREACH OF THE AGREEMENT. RE NEW LANDING RIGHTS IN ISRAEL, USDEL FELT THESE WERE OF DUBIOUS VALUE AT BEST.

8. AT LAST MEETING, ISRAELDEL REPLIED THAT IT WOULD LIKE TO HAVE CHANCE REVIEW WHOLE SITUATION IN ISRAEL, THEN RE-

SUME TALKS IN MAY IN ISRAEL. WE REPLIED THAT WHILE WE DID NOT SEE HOW THE ECONOMIC FACTS WOULD CHANGE SUFFICIENTLY IN THE SHORT RUN TO MAKE A DIFFERENT POSITION POSSIBLE FOR THE US SIDE, WE RECOGNIZED ISRAEL'S INTEREST IN REVIEWING THE SITUATION AND WOULD BE PREPARED TO MEET AGAIN IF ISRAEL SO DESIRED. AFTER NOTING US

AVIATION NEGOTIATING SCHEDULE PRECLUDED MEETING BEFORE JULY, WE SUGGESTED THAT EXACT TIMING AND SITE FOR POSSIBLE NEXT ROUND BE WORKED OUT LATER, AND ISRAEL DEL AGREED.

9. USDEL RAISED TWO MATTERS NOT DIRECTLY RELATED TO THE QUESTION OF EL AL LANDING RIGHTS; NAMELY RATES (TARIFFS) AND CHARTERS. RE THE FORMER, WE EXPLAINED THE US CONCERN ABOUT THE RATE STRUCTURE IN THE US- ISRAEL MARKET IN PARTICULAR AND THE MATT

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